

1998 Railroad Retirement Taxes

While regular railroad retirement tax rates are not changed for 1998, the amounts of compensation subject to these payroll taxes are scheduled to increase in January 1998 as a result of indexing to average national wage increases.

The railroad retirement tier I tax rate of 7.65 percent for employers and employees, which is the same as the social security tax and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance, remains the same. However, the maximum amount of an employee's earnings subject to the 6.20 percent rate will increase to \$68,400 in 1998 from \$65,400 in 1997. There is no maximum on earnings subject to the 1.45 percent Medicare rate; all of an employee's compensation is subject to the Medicare tax.

The maximum amount of earnings subject to the railroad retirement tier II tax of 4.90 percent on employees, and 16.10 percent on employers, will increase to \$50,700 from \$48,600.

In 1997, the regular railroad retirement tax on an employee earning \$65,400 was \$7,384.50 and the employer's regular railroad retirement tax on such an employee was \$12,827.70. In 1998, the railroad retirement tax on an employee earning \$68,400 will be \$7,716.90 compared to \$5,232.60 under social security, and the employer's tax will be \$13,395.30.

The rate of the supplemental railroad retirement annuity tax paid solely by rail employers is determined quarterly by the Railroad Retirement Board. The rate for all four quarters of 1997 has been 35 cents per work-hour; the rate for the first quarter of 1998 will be announced later in 1997.

Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience rated by employer. The basic rates range from a minimum of 0.65 percent to a maximum of 12 percent. However, as the Railroad Unemployment Insurance Account balance was less than \$100 million but more than \$50 million on June 30, 1997, a

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surcharge of 1.5 percent will be added to the basic tax rates in 1998, but will not increase the maximum rate. Consequently, in 1998, the unemployment insurance tax rates on railroad employers will range from 2.15 percent (the minimum basic rate of 0.65 percent plus the 1.5 percent surcharge) to a maximum of 12 percent, on monthly employee compensation up to \$925.

In 1998, 71 percent of covered employers will be assessed a rate of 2.15 percent, which is \$19.89 per month for each employee with earnings of \$925 or more per month, and 11 percent will be assessed a rate of 12 percent, which is \$111 per month for each employee with earnings of \$925 or more per month.

The 1.5 percent surcharge does not, however, apply to new employers in 1998, and new employers will initially pay a tax of 1.18 percent, which represents the average rate paid by all employers in the period 1994 - 1996.

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